

December 30, 2010

Los Angeles County Board of Supervisors

> Gloria Molina First District

Mark Ridley-Thomas Second District

> Zev Yaroslavsky Third District

> > Don Knabe Fourth District

Michael D. Antonovich

TO:

Supervisor Michael D. Antonovich, Mayor

Supervisor Gloria Molina

Supervisor Mark Ridley-Thomas Supervisor Zev Yaroslovsky Supervisor Don Knabe

FROM:

John F. Schunhoff, Ph.D.

Interim Director

SUBJECT:

STATUS REPORT ON DIETARY SERVICES CONTRACTS AT DEPARTMENT OF HEALTH SERVICES FACILITIES

John F. Schunhoff, Ph.D. Interim Director

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This memo is to provide your Board with an update on the status of the Request for Proposals (RFP) for Dietary and Concession Services at Department of Health Services (DHS) facilities. On September 7, 2010, your Board approved extensions to the term of the current agreements through December 31, 2010, with an optional three month extension through March 31, 2011. The extensions were necessary in order to allow sufficient time to conclude any possible protests prior to recommending a successor agreement with, Sodexo Operations, LLC (Sodexo), who was the top ranked, lowest cost proposer.

DHS concluded negotiations with Sodexo in Spring 2010. The second ranked proposer, Morrison Health Care Inc. (Morrison), subsequently requested a Proposed Contractor Selection Review, which is the initial step in the County's Protest Policy. Due to the complexity of the solicitation and the resultant proposals, Morrison and its attorneys made numerous public record requests for related documents in order to prepare their protest request and also requested an extension to June 18, 2010 for submission of the protest, which DHS granted. After DHS completed the Proposed Contractor Selection Review, the RFP results remained unchanged. Morrison received DHS's findings in the Proposed Contractor Selection Review and on September 24, 2010 the firm requested a County Review Panel, which is the final step in the County's Protest Policy.

Morrison requested consideration of a number of issues regarding the evaluation of Sodexo's proposal and deficiencies in the RFP, as well as disagreement with DHS' disposition of Morrison's Proposed Contractor Selection Review. The protest contained very detailed supporting documentation which required significant staff time to complete an indepth analysis of all of the issues. DHS has completed that analysis and, in consultation with County Counsel, determined that there is merit to Morrison's protest.

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During the protest analysis, DHS determined there was a substantial flaw in the proposal evaluation process that could not be remedied. Specifically, Sodexo's proposal should have been deemed a non-responsive proposal in that it failed to offer a cost proposal based on the use of full-time staff as required by the Living Wage Program. This was reiterated in an answer to a proposers' question stated in one of the addendums to the RFP. The answer specifically instructed proposers to submit their cost proposal based on the use of full-time staff and, if desiring to use any part time staff, to submit a second cost proposal based on use of part-time staff. Although the answer to that question was an instruction on how to respond to the cost proposal part of the RFP, the actual RFP instructions were not revised to conform to the answer. As a result, DHS inadvertently overlooked that directive when evaluating the single cost proposal from Sodexo that included use of full and part-time employees.

As a result of this substantial flaw in the evaluation process and other issues raised in Morrison's letter, as well as the fact that a significant amount of time has passed since the proposals were received in May 2009, DHS determined it is necessary to cancel the RFP. This will allow DHS to revise the RFP to ensure it contains all relevant facility requirements and also rework the proposal evaluation process to appropriately evaluate the resultant proposals. Both Sodexo and Morrison have been advised of the RFP cancellation and have indicated they are looking forward to receiving a new RFP. We anticipate issuing the new RFP in February and will return to your Board that month to request an additional extension of the current agreements in order to complete the RFP process.

If you have any questions, please let me know or your staff may contact Kathy Hanks, DHS Director of Contract Administration and Monitoring at (213) 240-7819.

JFS:KKH:cvc

c: Chief Executive Office County Counsel Executive Office, Board of Supervisors